

Alabama Forest Landowners Summit:

Future and Current Markets for Forest Products

Alabama has the second largest commercial timberland base in the United States. With more than 225,000 forest landowners in Alabama, timberland is our most important land use. Therefore, the forest industry has become the historical backbone of Alabama's manufacturing economy with operations located in every county of the state. Some of the industry's statistics (1999) include:

- The largest industry in value-of-shipments (\$14.4 billion)
- The largest industry in size of payroll (\$2.3 billion)
- The largest industry in export trade (\$1 billion)

It is not surprising that Alabama's forest products industry continues to be of vital importance to our state. However, the downturn of the United States economy has helped to create conditions that have negatively impacted Alabama's for-

est products industry. Forest landowners and the forest products industry are suffering through tumultuous times. The industry has experienced traumatic closures and downsizing within the past four years. Since January 1997, approximately 4,000 jobs have been lost due to plant closures and layoffs in the forest industry. Some of which include: the permanent closure and downsizing of some prominent pulp and paper operations around Alabama; numerous closures of sawmills scattered throughout Alabama; and closures and downsizing of some of Alabama's furniture manufacturing facilities and other secondary value-added operations.

On February 1, 2001, the Alabama TREASURE Forest Association sponsored a "summit" for forest landowners with an agenda designed to facilitate discussion on future and current markets for forest products. The summit was hosted by the University of Mobile. Attending

were 208 forest landowners and industry representatives from across Alabama. Many of the speakers focused their presentations on the negative impacts on Alabama's forestry and wood products industry being caused by the downturn in the United States economy. There were many questions and topics discussed, the primary ones being: "How did we get into the current situation?" and "What can be done by forest landowners and the public sector to create other opportunities for forest-based economic development that would expand diminishing markets for timber?"

Pulp and Paper Industry

As discussed in great detail during the summit, the current conditions of Alabama's pulp and paper industry were caused by many factors. Indeed, it has been a very difficult business environment recently from the standpoint of market pulp and finished paper product prices. Of course, this has affected the overall demand for pulpwood as well as the market-driven price of standing timber received by forest landowners. As we look at the reasons behind the economic downfall affecting the pulp and paper industry, the following conditions exist:

- Alabama's pulp and paper industry has not fully recovered from the downfall of Asian markets during 1997-98.
- For most pulp and paper products, prices immediately fell in the range of 40-50 percent from their peaks of a few years earlier. While prices have improved in most product areas over the past six months, prices are still 20-25 percent off the levels reached about five years ago.
- The U.S. dollar continues to be strong against other foreign currency, hurting exports.



Alabama's forest products industry continues to be of vital importance to our state.

- While the immediate problem was triggered by the economic downturns in Asian economies, the larger problem has been one of excess capacity worldwide.
- Unfortunately, there is new capacity being constructed internationally in places having competitive advantages, notably South America and Southeast Asia.
- Domestic demand has been relatively good; however, worldwide demand for paper products has been soft and excess capacity has driven down product prices.

Solid Wood Products

The discussion facilitated by the summit on the current conditions and factors impacting Alabama's solid wood products industry were as follows:

- Lumber and panel prices are down 40-50 percent or more over the last 18 months.
- Only the most efficient producers are operating in the black.
- Domestic demand for lumber and panel products has actually been good during this period. Housing demand has held up well, as has repair and alteration, consumer and industrial markets.
- There has been an oversupply of finished product facilitated by record productions at domestic mills; record levels of imports particularly from Canada; and declining levels of U.S. lumber exports.

Questions about the Market

Forest landowners attending the summit had many questions regarding declining timber markets for both pulpwood and sawtimber. Forest landowners wanted to know if there existed any specific strategy they could undertake to meet the challenges created by a wood fiber market having fewer buyers. Forest landowners inquired about the role state and local governments played in addressing the loss of forest-based manufacturing jobs and declining timber markets. In an attempt to answer some of their concerns, information was presented on the following topics:

- Role of Economic Developers
- Worldwide Pulp and Paper Market Outlook
- Softwood and Hardwood Lumber Product Market Outlook
- Future Outlook For Alabama's State Docks
- International Trade Opportunities
- Alternative Markets For Timber

The loss of jobs, declining timber markets and wood product manufacturing capacity in Alabama has been painful to many communities and prompted concerns about the future of forestry. However, history tells us that Alabama's forestry and wood products industry will survive and continue to be the backbone of Alabama's economy. The following facts project a bright future for forestry in Alabama:

1. Forest resource planners predict production of wood products will continue to shift toward the South from other parts of the country because of increased timberland productivity and declining harvesting opportunities in the Pacific Northwest.
2. Alabama and many other southern states will continue to be large and competitive producers of wood products with excellent timber supplies. Softwood lumber, pulpwood, paper products and composite wood structural panel production

are projected to increase most in the South.

3. The most recent forest inventory indicates that the total forest acreage for Alabama is increasing. There are more non-industrial private forest acres than ever before. The total volume for both pine and hardwood is increasing.

4. Alabama has one of the best infrastructures for producing and delivering wood products. Worldwide economic growth should continuously improve demand for wood products.

5. Recovering foreign economies and a more favorable currency exchange rate should lead to increased business opportunities for Alabama forest products manufacturers in international markets.

The forest landowner summit provided a good forum for discussing the issues and concerns facing Alabama's forest landowners. If anything is to be learned from this event, it is that Alabama's forest landowners are determined to manage Alabama's forest resource as good stewards. They are also willing to play a role in facilitating forest based economic development across Alabama. To address the economic concerns, a coalition of state agencies, academic institutions, private industry and forest landowners are working together to help maintain and expand the forest products industry—and in turn ensure the further development of Alabama's economy. ♣



Forest products being loaded onto a ship at the Alabama State Docks facility in Mobile.